

8.2 WELLINGTON STREET UNITS

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Attachments: 1. 49 Wellington Street

SUMMARY

Council owns two single bedroom residential units (units 2 and 5) which are part of a five-unit complex at 49 Wellington Street, Wallan.

A report was presented to the June 2019 Ordinary Council Meeting recommending that an EOI process be undertaken for the vacant Unit 2, Wellington Street Wallan to allow for full participation of the Community Housing sector in establishing the property as long term social and affordable housing. Council resolved to defer the report to a future date.

Since the previous report, interest has been received for the purchase of the vacant unit (unit 2) as well as the tenanted unit (unit 5) for the purpose of long term social and affordable housing.



WELLINGTON STREET UNITS (CONT.)

RECOMMENDATION**THAT** Council:

1. Give consideration to the sale of Unit 2 and Unit 5, 49 Wellington Street Wallan.
2. authorise the giving of public notice under section 189 of the *Local Government Act 1989* of the proposed sale of Lot 2 PS743646 Vol11646 F768 and Lot 5 PS743645 V11646 F771 Wellington Street Wallan. The Public Notice would be published in a local newspaper and on Council's website.
3. Propose as follows;
 - a) the sale of the land will be to a Housing Association;
 - b) the properties to be used thereafter for social and affordable housing purposes;
 - c) the method of sale to be through an Expression of Interest process open to any Victorian based registered Housing Association;
 - d) obtain a current valuation for Unit 2 and 5 Wellington Street Wallan
4. Will in accordance with section 223 of the *Local Government Act 1989*, receive any written submissions and hear from any submitters requesting to be heard at a meeting of the Community Questions and Hearings Committee;
5. At a later date, consider a Council report containing recommendations pertaining to the proposed sale of the property.

BACKGROUND

There are five units at 1/49 Wellington Street which were constructed around 1980 through a range of funding contributions. The units were on a single title in Council's name being Lot 1 TP234735. The units were for occupation by aged residents of Wallan.

The October 2015 Ordinary Council Meeting endorsed the subdivision of the units to create five separate titles to facilitate property sales and the December 2015 Ordinary Council Meeting endorsed the sale of units 1, 3 and 4.

The three units were transferred out of Council ownership following their sale in August 2016, leaving the two units remaining in Council's ownership with the same long-term tenants occupying those units.

The tenant of unit 2, who had occupied the unit since 2004, vacated the unit on 16 September 2018. The unit has remained vacant since this date.

The units are in central Wallan and within easy walking distance to shops and services.

ISSUES AND DISCUSSION

Following the June 2019 report to the Ordinary Council Meeting, staff have been in consultation with potential partners to canvas options of making the vacant unit available to a Housing Association for use as long term social and affordable housing in line with Council's social objectives.

Interest has been received by a Housing Association to purchase both units (vacant and tenanted) to operate as long-term social housing. This would include agreement to maintain the existing tenant in unit 5 until they choose to vacate.

WELLINGTON STREET UNITS (CONT.)

The sale of the units is considered in line with the previous Council resolution of October 2014 and with Council's Holding, Acquisition and Disposal Policy (section 9) i.e.:

- The property does not support an existing or planned future Council service;
- The property is not leased or licensed to an existing community group or Committee of Management to provide a Council supported community service;
- There will be no significant social impact on the community from disposal of the property;
- The property does not generate sufficient rental income taking account of life cycle costs and the value to Council if the property were sold;
- The property will attract an acceptable financial return for Council in the current market; and
- There is no legal or statutory impediment stopping the disposal of the property

Council should ensure that properties are offered for sale in a manner that will ensure the maximum price is achieved while providing the best results, both financial and non-financial, for Council and the community. Sales should be conducted through a public process be that auction, public tender or by registration of expression of interest.

If the sale of the properties (Units 2 & 5) is supported, the best method of sale would be through an Expression of Interest (EOI) process.

This method of sale is often used by Councils where, in addition to selling the property, Council still wishes to control the future use of the property; in this instance Council will want to be assured the property will continue to be used by the purchaser for social and affordable housing purposes.

The sale process is much like a public tender. A document outlining Council's requirements is drafted and provided to Housing Associations for their response. Housing Associations respond to the tender which includes outlining their commitment to manage the property, their credentials to deliver Housing Services, as well as their tendered price for the property.

The requirements under the *Local Government Act 1989* that Council must observe if undertaking EOI to sell the two units are that;

- Council consults ratepayers and residents on the proposal to sell property via a public notice;
- Council gives ratepayers and residents an opportunity to have their views heard; and
- have a current valuation for the land.

Prior to closure of an EOI process, a reserve price must be set that should not be less than the current market valuation. This reserve remains confidential.

If circumstances arise that no acceptable bids meet the current valuation, the tender document will have outlined steps and processes for undertaking a negotiation with the highest/best tenderer in line with the Local Government Best Practice Guideline for

WELLINGTON STREET UNITS (CONT.)

the Sale, Exchange, and Transfer of Land, and Council's Property Holding, Acquisition and Disposal Policy.

CONSULTATION

If Council elects to sell the property, as required by the *Local Government Act 1989*, Public Notice must be given for the sale of property and, as part of the Public Notice process, the community and interested parties would be invited to make submissions in relation to the proposal.

In addition to the requirements of the Act and in the interests of transparency, letters outlining the consideration of the sale would be sent to adjoining landholders and occupiers.

Council is bound by a "Rules for an Owners Corporation" agreement under its body corporate arrangements for the unit. While it does not explicitly state Council must inform the body corporate of change of use of the unit, it would be best to inform the body corporate of the future use of the units.

FINANCIAL, RESOURCE AND ASSET MANAGEMENT IMPLICATIONS

Should the sale of both units be supported, Council must obtain a valuation of the property from a qualified valuer in the six months prior to sale. If Council is to consider an offer lower than the valuation, it should be submitted in writing to the valuer for consideration. Having considered the valuers opinion, and all other relevant factors, and Council believes the offer to be reasonable, the land may be sold lower than valuation however Council should disclose the reasons for its decision to sell below valuation.

The three units sold in 2016 returned \$175,000 each to Council.

Whilst the unit is serviceable, the fit out is dated and some refurbishment is required. The three units previously sold in 2016 had new kitchens installed and other upgrades to modernise the units and bring them up to a good standard.



WELLINGTON STREET UNITS (CONT.)

The funds from the sale of the units would be directed to Council's Property Disposal Reserve for future use within the Wallan Township.

The sale of the units would result in a reduction in general operating and maintenance costs for Council and negate the payment of insurance and levies, body corporate fees, and contribution towards the maintenance of the common area.

POLICY AND LEGISLATIVE IMPLICATIONS

Council must have regard for, and conform to, applicable legislation in its property dealings including the *Local Government Act 1989*

Council has recently developed a Property Holding, Acquisition and Disposal Policy which has as its principle purpose to ensure Council is achieving its strategic goals in its property management and that property is only retained where it meets the following principles;

- The property contributes directly to current or future service delivery outcomes;
- The property is central to "Core Business" of Council; and
- The property is financially beneficial to Council.

Whilst meeting the above policy objectives, selling specifically to a Housing Association by way of EOI will also support Council's intention to increase social and affordable housing within Mitchell Shire.

Council is in the process of developing a Social and Affordable Housing Strategy and Policy that should be completed and ready for draft endorsement for the September 2019 OCM. Selling the Units by way of an EOI to a Housing Association to provide social housing from the site will be in line with this policy.

Council will also work to align itself with other strategic initiatives being delivered by the State Government. These include:

Homes for Victorians Strategy, which outlines the delivery of an integrated set of social and affordable housing initiatives.

Plan Melbourne 2017-2050 includes a direction to increase the supply of social and affordable housing; and

The State Planning Policy Framework which supports the provision of social housing and housing affordability.

RISK IMPLICATIONS

Risk Ranking is determined using [ROHS201-G1- Corporate Risk Matrix](#). Risk is identified as Low, Medium, High or Very High.

Risk	Risk Ranking	Proposed Treatments	Within Existing Resources?
There is a risk that the existing owners of the three privately owned	Low	Council consults with the community and takes	Existing resources

WELLINGTON STREET UNITS (CONT.)

Risk	Risk Ranking	Proposed Treatments	Within Existing Resources?
units will object to the two Council units being sold for social and affordable housing.		action based on community opinion.	
There is a risk Housing Associations will only offer to purchase the units lower than valuation	Medium	Community consultation. Council is open and transparent about the sale at below market value as it meets Council's objective to support more social and affordable housing in the community.	Existing resources
There is a risk there are insufficient Housing Associations interested in the properties to establish a competitive bidding process	Medium	Community consultation. Council is open and transparent about the sale at below market value as it meets Council's objective to support more social and affordable housing in the community	Existing resources
There is a risk a Housing Associations may on-sell the property in the open market.	Low	Council's contract of sale will include requirements that the property remains a social housing facility through a s173 agreement.	Council will have legal assistance in preparing the contract of sale, which includes preparation of a s173 agreement.
Council will not achieve financial gains comparable to selling the property to the open market	Low	Council has weighed up the social benefits which meets the requirements of best results, financial or non-financial, for the community	Existing Resources

WELLINGTON STREET UNITS (CONT.)

SUSTAINABILITY IMPLICATIONS (SOCIAL AND ENVIRONMENTAL)

There are no known environmental impacts which would result from the sale of the unit.

Homelessness and housing stress are significant social issues for the Mitchell Shire community. The selling of the unit to a Housing Association would ensure the continued availability of affordable housing options in the Wallan area which currently has 0.2 percent social housing available locally. Selling the properties (units 2 & 5) to a Housing Association would maintain this unit as a social housing opportunity within the local area. Access to affordable, safe, secure and appropriate housing enables community member participation and sense of belonging in community life.

CHARTER OF HUMAN RIGHTS IMPLICATIONS

The rights protected in the *Charter of Human Rights and Responsibilities Act 2006* were considered in preparing this report and it's determined that the subject matter does not raise any human rights issues.

CHILDREN AND YOUNG PEOPLE IMPLICATIONS

Whilst children and young people are not directly impacted by this report the sale of these units to a Housing Association that will provide support in the form of long term social and affordable housing, may benefit families with children and young people indirectly.

OFFICER DECLARATION OF CONFLICT OF INTEREST

No officers involved in the preparation of this report have any direct or indirect interest in this matter.

CONCLUSION

Council has previously sold three of the five units at 49 Wellington Street and held on to two of the units as part of a commitment to the long-term tenants. The tenant of unit 2 has now moved out and the property has been vacant since September 2018.

A proposal to sell the units would be consistent with the December 2015 Council decision to sell three of the five units and the intention set out at that time to sell the remaining units as they are vacated by the current tenants. It is also consistent with the Property Holding, Acquisition and Disposal Policy.

A requirement of parting with both units would be a contractual agreement to support the remaining tenant until they wish to vacate. Council can also guarantee ongoing use of the properties for social and affordable housing through a s173 agreement.

By taking the next step to give public notice of the consideration to sell the unit by way of an EOI, Council is providing the community and Housing Associations with the opportunity to make their views known regarding the proposal, thus furthering the basis for Council to make an informed decision.

WELLINGTON STREET UNITS (CONT.)

MITCHELL SHIRE COUNCIL

Council Meeting Attachment

GOVERNANCE AND CORPORATE PERFORMANCE

19 AUGUST 2019

8.2

WELLINGTON STREET UNITS

Attachment No: 1

49 Wellington Street



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